



## **The State of New Hampshire Insurance Department**

56 Old Suncook Road  
Concord NH 03301-7317  
(603) 271-2261 Fax (603) 271-1406  
TDD Access: Relay NH 1-800-735-2964

**Paula T. Rogers**  
**Commissioner**

### **Bulletin Docket No: INS No. 01-026-AB**

**TO:** All Companies Writing Credit Insurance

**FROM:** Paula T. Rogers, Commissioner

**DATE:** October 16, 2001

**RE: Credit Accident and Health Insurance  
Composite Rating Methodologies**

The Insurance Department has been advised that a number of companies writing Credit Insurance are using a "composite" rating methodology to price Accident and Health Insurance. Credit insurance rates are proscribed by regulation, INS 1200. "Composite" rating, as used here, means the pricing methodology that produces rates for coverage that are independent of the loan terms. New Hampshire regulations specify that the actual premium rate must vary by the loan's term. See NHCAR Part Ins 1201.09.

Although regulations do allow rate variations when the coverage being provided varies from that on which the nominal rates are based. See NHCAR Part Ins 1201.07 (b). The rules can not be interpreted to allow composite rating. Carriers using composite rating are providing the same coverage as that on which nominal rates are based. The pricing variation in a composite rate is not based on the same dependent variables as a nominal rate, e.g. the loan term, and is, therefore, prohibited under the rules.

The regulations do provide for rate deviations from those proscribed. See NHCAR Part Ins 1201.13. However, the rules do not apply to composite rating. Permissible rate deviations under the rules must be based on the carrier's actual experience with one or more accounts. Rates, based on rate deviations, must be based on the same dependent variables on which nominal rates are based, e.g. the loan term.

The Department understands that rate filings have been approved with composite rates. The Department's inadvertent approval of an illegal rating methodology does not make it legal. Still, the Department can understand how carriers relied on these approvals before implementing their composite rating programs. Therefore, the Department will allow carriers to convert their existing composite rating programs through June 30, 2002. Carriers using composite rating programs on or after July 1, 2002 may be subject to an administrative hearing.

Questions regarding this matter should be directed to the attention of David Sky, Life, Accident and Health Actuary, e-mail [dsky@ins.state.nh.us](mailto:dsky@ins.state.nh.us).